

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2513

(Reference to printed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Title 20, chapter 5, article 1, Arizona Revised Statutes,
3 is amended by adding section 20-443.01, to read:

4 **20-443.01. Stranger initiated life insurance**

5 A. PRACTICE OR PLAN TO INITIATE A LIFE INSURANCE POLICY FOR THE
6 BENEFIT OF A THIRD PARTY INVESTOR WHO, AT THE TIME OF POLICY ORIGINATION, HAS
7 NO INSURABLE INTEREST IN THE INSURED, IS A VIOLATION OF SECTION 20-1104.
8 STRANGER INITIATED LIFE INSURANCE PRACTICES INCLUDE BUT ARE NOT LIMITED TO
9 SITUATIONS IN WHICH LIFE INSURANCE IS PURCHASED WITH RESOURCES OR GUARANTEES
10 FROM OR THROUGH A PERSON, OR ENTITY, WHO, WHEN THE POLICY INCEPTS AND WHO AT
11 THE TIME OF INCEPTION, COULD NOT LAWFULLY INITIATE THE POLICY HIMSELF OR
12 ITSELF, AND WHERE, AT THE TIME OF POLICY INCEPTION, THERE IS AN ARRANGEMENT
13 OR AGREEMENT, WHETHER VERBAL OR WRITTEN, TO DIRECTLY OR INDIRECTLY TRANSFER
14 THE OWNERSHIP OF THE POLICY OR THE POLICY BENEFITS TO A THIRD PARTY. TRUSTS
15 THAT ARE CREATED TO GIVE THE APPEARANCE OF INSURABLE INTEREST AND ARE USED TO
16 INITIATE POLICIES FOR THE BENEFIT OF INVESTORS WITH NO INSURABLE INTEREST
17 VIOLATE SECTION 20-1104 AND THE PROHIBITION AGAINST WAGERING ON LIFE.

18 B. STRANGER INITIATED LIFE INSURANCE PRACTICES DO NOT INCLUDE:

19 1. A POLICY LOAN BY A LIFE INSURANCE COMPANY PURSUANT TO THE TERMS OF
20 THE LIFE INSURANCE POLICY OR ACCELERATED DEATH PROVISIONS CONTAINED IN THE
21 LIFE INSURANCE POLICY, WHETHER ISSUED WITH THE ORIGINAL POLICY OR AS A RIDER.

22 2. A PREMIUM FINANCE LOAN OR ANY LOAN MADE BY A BANK OR OTHER LICENSED
23 FINANCIAL INSTITUTION, PROVIDED THAT NEITHER DEFAULT ON SUCH LOAN NOR THE
24 TRANSFER OF THE POLICY IN CONNECTION WITH SUCH DEFAULT IS PURSUANT TO AN
25 AGREEMENT OR UNDERSTANDING WITH ANY OTHER PERSON FOR THE PURPOSE OF EVADING
26 REGULATION UNDER THIS SECTION.

27 3. A COLLATERAL ASSIGNMENT OF A LIFE INSURANCE POLICY BY AN OWNER.

28 4. A LOAN MADE BY A LENDER THAT DOES NOT VIOLATE TITLE 6, CHAPTER 14,
29 ARTICLE 1, PROVIDED SUCH LOAN DOES NOT VIOLATE THIS SECTION.

30 5. AN AGREEMENT WHERE ALL THE PARTIES:

1 (a) ARE CLOSELY RELATED TO THE INSURED BY BLOOD OR LAW.
2 (b) HAVE A LAWFUL SUBSTANTIAL ECONOMIC INTEREST IN THE CONTINUED LIFE,
3 HEALTH AND BODILY SAFETY OF THE PERSON INSURED, OR ARE TRUSTS ESTABLISHED
4 PRIMARILY FOR THE BENEFIT OF SUCH PARTIES.

5 6. ANY DESIGNATION, CONSENT OR AGREEMENT BY AN INSURED WHO IS AN
6 EMPLOYEE OF AN EMPLOYER IN CONNECTION WITH THE PURCHASE BY THE EMPLOYER, OR
7 TRUST ESTABLISHED BY THE EMPLOYER, OF LIFE INSURANCE ON THE LIFE OF THE
8 EMPLOYEE.

9 7. A BONA FIDE BUSINESS SUCCESSION PLANNING ARRANGEMENT:
10 (a) BETWEEN ONE OR MORE SHAREHOLDERS IN A CORPORATION OR BETWEEN A
11 CORPORATION AND ONE OR MORE OF ITS SHAREHOLDERS OR ONE OR MORE TRUSTS
12 ESTABLISHED BY ITS SHAREHOLDER.

13 (b) BETWEEN ONE OR MORE PARTNERS IN A PARTNERSHIP OR BETWEEN A
14 PARTNERSHIP AND ONE OR MORE OF ITS PARTNERS OR ONE OR MORE TRUSTS ESTABLISHED
15 BY ITS PARTNERS.

16 (c) BETWEEN ONE OR MORE MEMBERS IN A LIMITED LIABILITY COMPANY OR
17 BETWEEN A LIMITED LIABILITY COMPANY AND ONE OR MORE OF ITS MEMBERS OR ONE OR
18 MORE TRUSTS ESTABLISHED BY ITS MEMBERS.

19 8. AN AGREEMENT ENTERED INTO BY A SERVICE RECIPIENT, OR A TRUST
20 ESTABLISHED BY THE SERVICE RECIPIENT, AND A SERVICE PROVIDER, OR A TRUST
21 ESTABLISHED BY THE SERVICE PROVIDER, WHO PERFORMS SIGNIFICANT SERVICES FOR
22 THE SERVICE RECIPIENT'S TRADE OR BUSINESS.

23 9. ANY OTHER CONTRACT, TRANSACTION OR ARRANGEMENT FROM THE DEFINITION
24 OF STRANGER INITIATED LIFE INSURANCE THAT THE DIRECTOR DETERMINES IS NOT OF
25 THE TYPE INTENDED TO BE REGULATED BY THIS SECTION."

26 Amend title to conform

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